Strategies to reinvigorate the travel retail marketplace

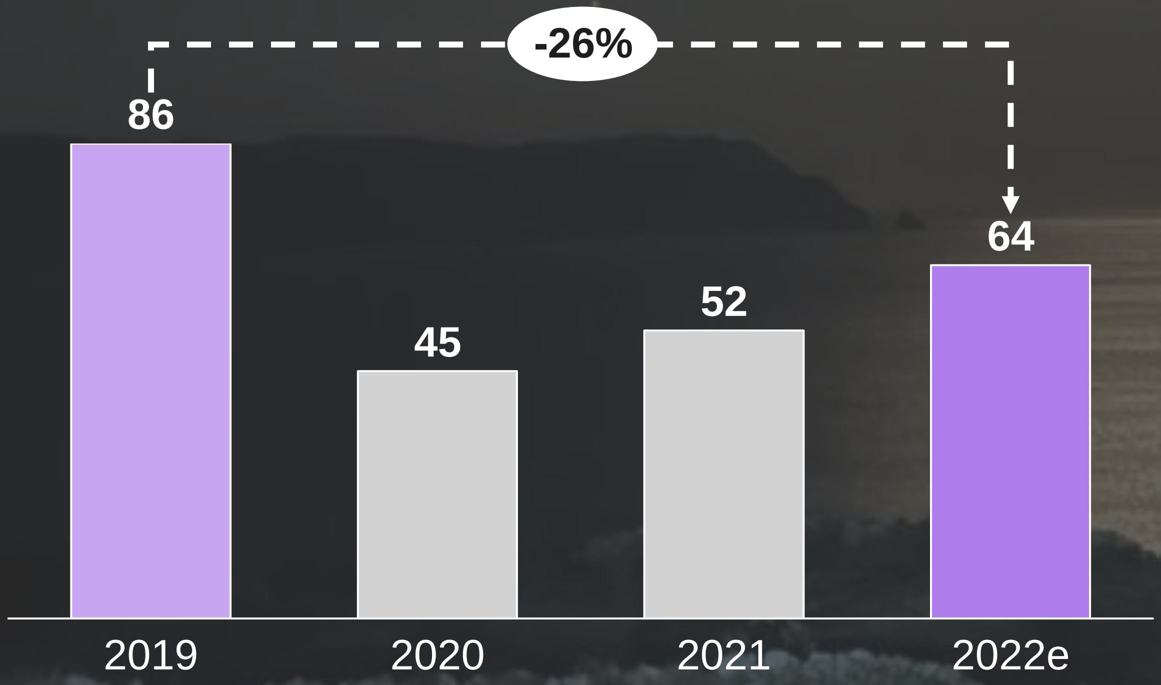
TFWA 2023

KEARNEY

While the market slowly recovers from COVID, “revenge buying” appears to be over—average spend per traveler has dropped by 29% vs. 2021

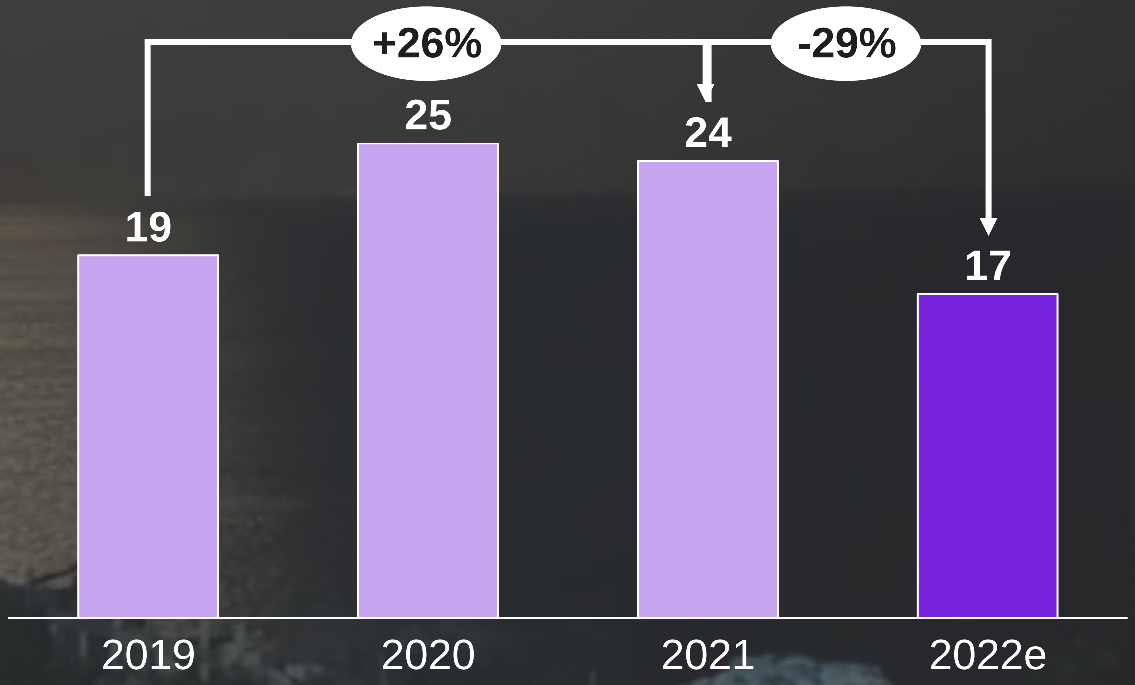
Travel retail market evolution

2019–2022e, $ billion



Spend per traveler evolution

2019–2022e, $/traveler



Note: 2022 value is a forecast, to be confirmed.
Sources: TFWA, Generation Research; Kearney analysis

Travel retail's price-centric value proposition no longer matches consumers' expectations

Price attractiveness is eroding

Over 50% of travelers do not perceive travel retail prices as competitive vs domestic retail.

Product assortment does not meet consumers' expectations

33% of travelers do not buy because travel retail product assortments do not fit their expectations.

Conversion rate is significantly lower than traditional shopping centers

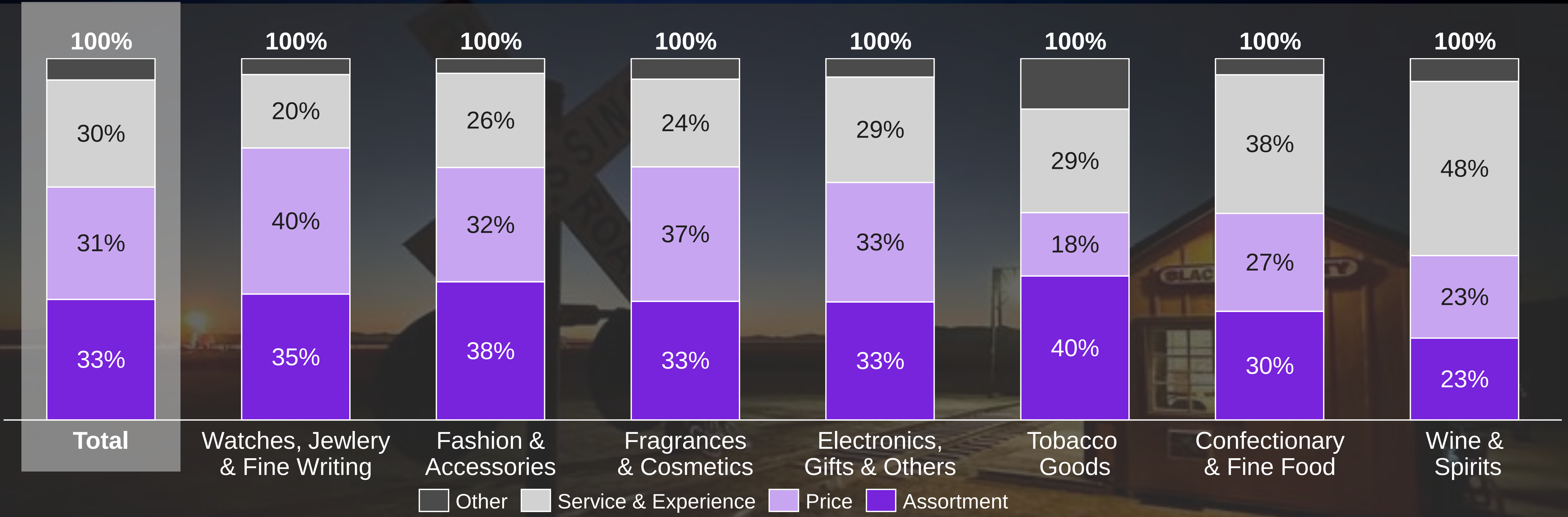
Only 5-10% of travelers buy in an airport duty-free store, vs 40-60% in shopping centers.

Sources: Industry experts interviews, Kearney

2/3rd of passengers express dissatisfaction with pricing or assortment

Travel retail consumers' reasons not to buy, per category

Survey, as of July 2023, excluding lack of interest



Notes: Price includes "higher prices vs. home" and "higher prices vs. other airports." Assortment includes "not the right product" and "product out of stock." Experience includes "long queue to pay" and "unsure about custom regulations." Service includes "unwilling to carry more items."
Source: Kearney survey

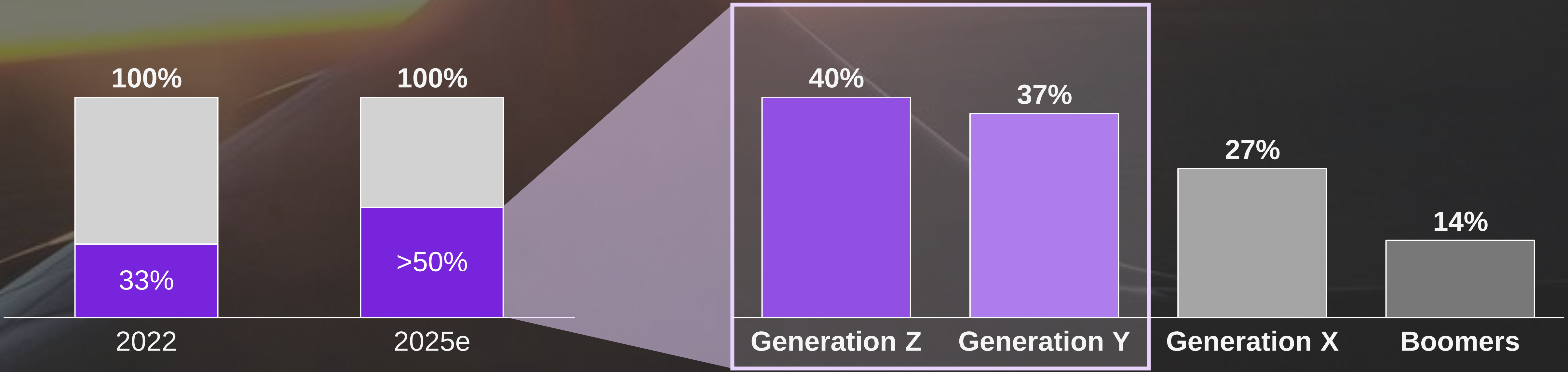
Traveler profile and habits are changing, driven partly by a generational shift

Share of Generation Z and Y passengers

2022-2025e, % of air travelers

Share of experience as a key reason to buy

Survey, % of responses per generation



Mentions of “quality of shopping experience”, “quality of staff advice” or “rapidity of purchase”.
Generational categories are divided as the follows: Generation Z (18 – 26 yo), Generation Y (27 – 40 yo), Generation X (41 – 60 yo), Boomers (61 yo and over).
Sources: IATA, Global Data, Airport Technology, Kearney survey

A traveler-centric value proposition would unlock growth potential

Exclusive assortment

37%

would buy more if exclusive products were offered.

Competitive price

55%

would buy more with more competitive prices..

Traveler

Immersive experience

32%

mention experience as a key reason to buy.

Seamless service

17%

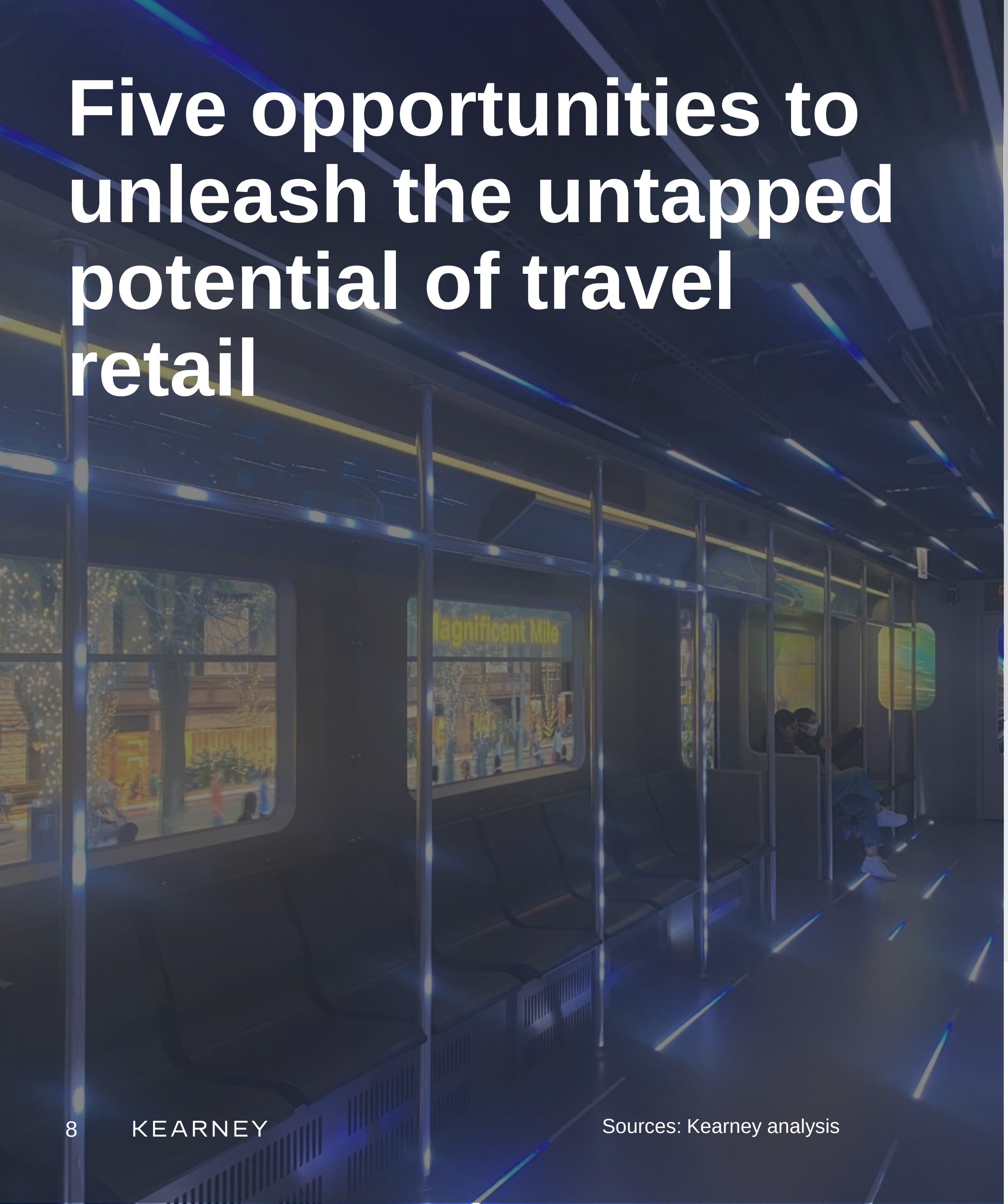
would buy more frequently if delivery was available.

Sources: Interviews with industry experts; Kearney analysis

Only a stronger cooperation within the pentarchy can reinvigorate the marketplace

Source: Kearney

Five opportunities to unleash the untapped potential of travel retail



1 **ABCs of retail excellence**

2 **Data empowered marketing activations**

3 **Targeted value propositions**

4 **Elevated operating models**

5 **Pentarchy partnership model**

Sources: Kearney analysis

Thank you

Kearney is a leading global management consulting firm. For nearly 100 years, we have been the trusted advisor to C-suites, government bodies, and nonprofit organizations. Our people make us who we are. Driven to be the difference between a big idea and making it happen, we help our clients break through.

www.kearney.com

Stay connected with Kearney

KEARNEY